



State of Utah

Department of
Natural Resources

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Division of
Oil, Gas & Mining

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January 12, 2005

TO: Mary Ann Wright, Acting Director

THRU: Mark Mesch, Acting Associate Director of Mining *MM*

THRU: Daron Haddock, Minerals Permit Supervisor *DH*

FROM: Paul Baker, Reclamation Biologist *PBB*

SUBJECT: Status of Self Bond/Board Contracts, Umetco Minerals, Deremo/Peterson and Wilson/Silverbell Mines, M/037/025 and M/037/027, San Juan County, Utah

The purpose of this memorandum is to inform you, and potentially the Board of Oil, Gas and Mining, of the status of the self bond and board contract for the referenced mines. Umetco has contracts with the Board for both of these sites. The cost estimates shown on the contracts for the mines are \$33,332 for Deremo/Peterson and \$142,280 for Wilson/Silverbell. The contracts were signed in 1985, and the amounts on the contracts have not been changed since then.

The only remaining reclamation work at these sites is a total of 9.4 acres that needs to be revegetated, 6.9 acres at Wilson/Silverbell and 2.5 acres at Deremo/Peterson. I consider demolition and regrading to be complete and that revegetation has been successful on 38.1 acres at the Wilson/Silverbell Mine. Doug Jensen and I estimate the cost for revegetation of the remaining areas to be a total of \$6000 which includes a 10 percent contingency and escalation for five years.

The operator has requested final release on 38.1 acres at the Wilson/Silverbell Mine, and I support this request. Doug Jensen and I have inspected the site, and we see no reason it should not be released. The operator has submitted a map showing the areas that would be released and those that would still be permitted. A copy of the release request letter is attached as is my inspection memo.

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Drought is probably the reason for revegetation failure on part of the area. The operator had seeded the unsuccessful portions of the Wilson/Silverbell Mine twice and the Deremo/Peterson Mine three times. These areas were seeded again this past fall, and with the abundant fall and winter moisture so far, we are hopeful this effort will be successful.

One provision of the reclamation contract is that the operator annually submit certain financial information. The Division received this information on November 19, 2004, and had it reviewed by Steve Schneider, Oil and Gas Audit Manager. According to his review (copy attached), Union Carbide, the permittee's parent company, no longer meets the minimum qualifications specified on the self bonding qualification form.

I recommend that the Board be informed of the financial status of Union Carbide so they can decide whether they would like to take any action toward requiring a new bond, modifying the existing contracts, or keeping the existing contracts. I also recommend that the Board release the 38.1-acre area at Wilson/Silverbell.

In considering what action to take concerning the board contracts, the Board should keep in mind the small amount of revegetation that still needs to be done, the estimated cost (\$6000), and the good faith the operator has shown in its reclamation work at these sites, and also at the Calliham Mine (now released). The operator received an Earth Day Award for its work at the Calliham Mine.

Please let me know if you need further information about these sites.

PBB:jb
Attachments: Operator release request, Inspection Memo, Auditor Report
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